

INDUSTRY UPDATE

Biweekly Period Ending November 17, 2001

Phoenix Metro Area

Manufacturing

As more evidence of a high-tech slowdown, Phoenix-based **Avnet Inc. eliminated 400 positions**, including about **100 in the Valley**, in early October. The cuts bring to 2,000 the number of jobs reduced in Avnet's North American operations this year, of which 400 have come from Phoenix-area facilities. The manufacturer and distributor of computer components employs about 13,000 people worldwide, including 3,000 in the Valley.

The **hits (to employment)** keep coming at **Motorola's operations**. In about the 10th layoff announcement in the past year affecting nearly 40,000 employees worldwide, the Schaumburg, Ill.-based electronics manufacturer **eliminated 400 jobs** from its **Tempe-based Computer Group** in early November. Continued weakness in customer orders, partly brought on by the Sept. 11th terrorist events, contributed to the cuts, **300** of which will **affect Valley employees**. Motorola's Computer Group — which now employs 1,600 people worldwide (1,250 in the Valley) — makes computer parts for communications, military, and medical equipment. The division's previous plans for building new facilities in Tempe have also been scrapped. All told, several thousand jobs have been eliminated across various Motorola operations in the Valley in the past year; the company announced it will shut down its Mesa semiconductor operations over the next two years; and its Scottsdale-based Integrated Information Systems Group was sold to General Dynamics in August. 2001 has been a year to forget.

The Defense Department's announcement in late October that **Lockheed Martin** won a **\$200 billion contract to build the next generation of U.S. fighter jets** may be good news for local companies. It's expected that the **Ordinance Division** of Mesa-based **Boeing Helicopter Co.** will **receive a contract** from Lockheed Martin to **build a rapid-fire cannon** for the jet fighter. Also, **Honeywell International** is expected to **make electronic components** for each jet, which will likely help employment at Honeywell's Valley operations. Up to 3,000 jets, featuring radar-evading technology, may be made for various branches of the U.S. and United Kingdom military.

Miscellaneous

By a large percentage, **Phoenix voters approved** a \$600 million **expansion** of the **city's Civic Plaza**. Phoenix plans to borrow half of the money it needs to expand the facility to 1.5 million square feet, and ask the state to contribute the rest. The latter may prove difficult because the state has a \$1.6 billion budget shortfall. But the Civic Plaza, originally completed in 1972, currently contributes an estimated \$24 million annually in tourism taxes to Arizona's general fund. The expansion is expected to double that amount.

A **non-profit Phoenix group that helps unemployed and underemployed** individuals has seen a **two-thirds drop-off** in the number of its **job leads**. The **Center for New Directions** — which normally receives 30 to 40 job notifications a week in areas such as manufacturing, sales, and information technology — said the number of **job leads has dropped to 10 to 15 a week**. A unit of the

Family Services Agency, the center helps clients in areas such as resume writing, filling out applications, and interviewing skills.

Tucson Metro Area

Manufacturing

A California-based **plastic-injection-molding manufacturer** will **close** its **Tucson production facility** in December, **eliminating about 100 jobs**. **AMA Plastics**, which will **transfer up to 25 employees** to its Corona, Calif., plant, blamed a slowing economy for the layoffs. About **10 workers will remain in Tucson** to staff a combination distribution, engineering, and sales office. Laid-off workers, three-fourths of whom earned between \$6 and \$10 an hour, will receive a severance package. AMA is the second major plastic molding company to abandon operations in Tucson in 2001. Earlier this year, Cincinnati-based Plastic Moldings Inc. abandoned plans to expand to Tucson after building a large manufacturing facility.

Trade

In an attempt to gain on the No. 1 competition (Walgreen's) and reduce costs of building separate stores, Tucson has become a **test market** for the **conversion of Albertson's Inc. supermarkets** into a **combined grocery store and drug store called Albertson's Osco**. At a cost of \$2 million, seven Albertson's locations have been converted into something similar to a Wal-Mart superstore, but the combined Albertson's and Osco stores are separate entities, each having its own manager. In other markets, the Boise, Idaho-based chain will combine Albertson's grocery stores with Sav-On drug stores. **Walgreen's**, which has **30 stores in Tucson**, isn't sitting idly by — it will add three stores in Tucson **by March**. **Osco** now has **21 locations** in the Old Pueblo, including 14 freestanding stores.

Balance of State

Manufacturing

The **acquisition of General Cable Co.** by Georgia-based **Southwire** in late October should **eventually lead** to the **expansion of jobs** at a **former General Cable facility in Kingman**, the company said. Currently, the **northwest Arizona plant** — which makes a variety of building wire products used in residential, commercial, and industrial construction — **employs 180**. Southwire, which with the acquisition is now North America's largest producer of building wire, expects to invest \$2.5 million in the Kingman plant and **expand production from five to seven days**.

A **slowing economy** and the Sept. 11th **terrorist attacks** — which will reduce home building by a projected 15 to 20 percent over the next few months — **almost "shut the door" on a cabinet door maker's plans to move** the business **from Chandler to Payson**. But instead, **The Door Stop** will **hire one-third fewer workers** and delay constructing office space. The Door Stop, which is **building a 30,000-square-foot plant** at **Sky Park industrial park** near Payson Municipal Airport, **initially will hire 50 production workers** (earning between \$7.50 and \$12 an hour), instead of a projected 75. In addition, **10 supervisors** will earn between \$27,500 and \$40,000 annually. The Door Stop expects its **facility to open next June**, with training of workers beginning at the first of the year.

Transportation, Communications, and Public Utilities

Doubling Their Pleasure (and Voltage). After **Tucson Electric Power** recently announced plans to **build a 400-megawatt coal-fired power plant** at its **Springerville facilities**, **Salt River Project** thought it made sense for the Valley-based utility to **do the same**. Constructing two similar plants at one time will save both companies money, including the cost of installing pollution-control equipment.

The addition of 800 megawatts of electricity is enough power to light 700,000 homes.

Government

Tightening of security at Fort Huachuca will cause the **reduction of nearly 50 positions** related to the fort's **recreation facilities**. Higher security leads to fewer guests and activities at the southeastern Arizona military facility, which is headquarters to the U.S. Army Intelligence Center. Among **positions affected** are **waiters and waitresses, kitchen help, and bowling alley and golf course personnel**.

Services

The cities of **Yuma** and **San Luis** have experienced a **double economic whammy** because of **increased security along the Mexican border**. In addition to other Arizona towns near the Mexican border (Nogales, Douglas), Yuma and San Luis have lost valuable retail trade and services business. It became such a problem that the San Luis mayor asked Arizona Gov. Jane Hull to declare a "state of emergency." In order to help out border towns, Gov. Hull sent National Guard troops to speed up searches along border crossings. But the two cities also had the **problem of finding agriculture workers**, who are needed to harvest crops in the fall and spring. Related to this, some Mexican produce brought to Arizona border towns for processing has gone to waste. On a positive note, winter tourism in Yuma is on the rise. Below-average home prices, low number of residents per medical and health-care facility, low crime rate, and being away from a large metropolitan area have given Yuma a high rating in a recent **report on retirement destinations** by Phoenix-based **TW & A Consulting**.

Bad weather permitting (meaning lots of snow), **Arizona Snowbowl in Flagstaff** plans to **hire 400 part- and full-time workers** for the upcoming ski season. Among **positions Snowbowl needs** are: **lift operators,**

ski instructors, cooks, mechanics, and clerical staff. For additional details, click on Snowbowl's Web site: www.arizonasnowbowl.com.

Statewide

Trade

As mentioned briefly in the previous *Industry Update*, **Southwest Supermarkets filed for bankruptcy protection** in early November. In addition, Chandler-based **Bashas'** has agreed to **purchase 22** (down from a previously announced 23) of the **Hispanic-food chain's 32 stores**, which will be **converted** by the first quarter of 2002 to **Food City stores**, an Hispanic-oriented chain owned by Bashas'. **All employees** at the 22 stores remaining open (about 600) **will be retained**, while about **250 employees** at 10 locations being closed **will lose their jobs**. Seven of the 10 closing stores were former ABCO Desert Market locations, which were sold to Phoenix-based Southwest Supermarkets by food distributor and grocery store owner Fleming Cos. of Dallas. Southwest Supermarkets blamed a weak economy, worsened by the Sept. 11th terrorist events, for the closures and bankruptcy.

INDUSTRY UPDATE

Industry Update is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.
